



**Nestlé** Good food, Good life

NESTLÉ (MALAYSIA) BERHAD

Registration No.: 198301015532 (110925-W)

## **COMPENSATION POLICY**



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## 1. OVERVIEW

This policy sets out the compensation philosophy and procedure (the “Policy”) of Nestlé (Malaysia) Berhad (the “Company”).

The Policy is designed with the key objectives of attracting and retaining qualified, high calibre and experienced members of the Board of Directors (the “Board”) and also the right calibre of employees to drive the business strategy, objectives, values and long-term interests of the Company.

In accordance with the Terms of Reference for the Governance, Nomination and Compensation Committee (the “Committee”), this Policy falls under the purview of the Committee.

## 2. APPROACH

The Committee is guided by the following philosophy and principles in recommending to the Board, the compensation to be paid to the Non- Executive Directors and the employees of the Company and its subsidiary companies (the “Group”):

In determining the level of compensation, the Committee shall take into account:

- i. the demands, complexities of activities and performance of the Group;
- ii. the level of responsibilities, skills, expertise and experience required;
- iii. the industry benchmarks against similar companies;
- iv. the market practice; and
- v. the risk environment and ensuring that the compensation does not encourage excessive risk-taking.

The compensation of the Executive Directors and the Nestlé Leadership Team, which is reviewed on an annual basis is also guided by the compensation framework of Nestlé S.A.

### **Non-Executive Directors**

In relation to the compensation of the Non-Executive Directors, the Committee is further guided by the following:



- i. a suitable balance of fees between the Board and Board Committee retainer fees, and meeting attendance fees. The principle is to ensure recognition of the workload and responsibilities for the Non-Executive Directors who sit on the various Board Committees, ensuring that a balance is attained between compensating for time spent, frequency of meetings and also to reflect the continued responsibilities for all Directors;
- ii. the compensation should not bring any conflict to their obligation to exercise objectivity and independent judgement;
- iii. the provisions of Article 107 of the Company's Constitution;
- iv. the fees payable to Non-Executive Directors shall be a fixed amount, and not derived through a commission on or percentage of profits or turnover;
- v. the compensation must not place an inappropriate burden on the Group's finances;
- vi. the Committee undertakes a robust review of the compensation packages of the Non-Executive Directors at least once in every three (3) years and thereafter makes its recommendation to the Board. In conducting the review, the Committee may engage the services of an independent professional advisor;
- vii. all compensation to be paid to the Non-Executive Directors, including any review of compensation shall be tabled to the Shareholders at the Annual General Meeting for approval;
- viii. the payment of the Non-Executive Directors' fees shall only be paid after Shareholders' approval has been obtained; and
- ix. meeting allowances are only to be accorded for officially scheduled Board and Board Committee meetings with the presence of the Company Secretary and can be paid upon conclusion of the respective meetings provided that prior approval for the allowances have been obtained at the last Annual General Meeting.

### **3. GOVERNANCE**

The Committee also stands guided by the following corporate governance promulgations:

- i. The Committee shall assist the Board in reviewing and implementing this Policy on the compensation of Directors and Nestlé Leadership Team.



- ii. The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website.
- iii. Directors who are Shareholders of the Company, if any, shall abstain from voting at the Company's Annual General Meetings on the resolution to approve Directors' fees.
- iv. Directors' compensation shall be disclosed in the Annual Report of the Company on a named and individual basis and by the exact amount. The compensation breakdown shall amongst others include fees, salary, bonus, benefits-in-kind and other emoluments. The disclosure shall also cover Directors who were appointed or retired during the year.

#### **4. REVIEW AND MONITORING**

It shall also be the Committee's responsibility to review and monitor the implementation of this Policy on a regular basis to reflect current best practices. The Committee shall further discuss any amendments to this Policy that may be required and will recommend such amendments to the Board for approval.

**This Diversity Policy was reviewed by the Committee on 13 February 2023 and approved by the Board on 21 February 2023.**